Ontario

2008 Ontario Economic Outlook and Fiscal Review

Statement

The Honourable Dwight Duncan
Minister of Finance

Ontario

2008 Ontario Economic Outlook and Fiscal Review

Statement

Check Against Delivery

The Honourable Dwight Duncan
Minister of Finance

For general inquiries regarding the *2008 Ontario Economic Outlook and Fiscal Review*, *Statement* please call:

Toll-free English & French inquiries:	1-800-337-7222
Teletypewriter (TTY):	1-800-263-7776

For electronic copies of this document, visit our website at www.fin.gov.on.ca

A printed copy of this publication can be ordered:
Online at: www.serviceontario.ca/publications
By phone through the ServiceOntario Contact Centre
Monday to Friday, 8:30 AM to 5:00 PM
416 326-5300
416 325-3408 (TTY)
1 800 668-9938 Toll-free across Canada
1 800 268-7095 TTY Toll-free across Ontario

ISSN 1499-5557 (Print)
ISSN 1499-5565 (PDF/HTML)

Ce document est disponible en français sous le titre :
Perspectives économiques et revue financière de l'Ontario de 2008, Allocution

INTRODUCTION

Mr. Speaker, I rise today to present the *2008 Ontario Economic Outlook and Fiscal Review.*

I do so at a time when we are experiencing a global financial crisis that was not imagined even a few short weeks ago.

The liquidity crisis in financial markets has undermined business and consumer confidence around the world. The impacts of this are real, present and directly affect individuals, families, businesses and governments.

Ontarians are prepared

Ontario families are worried, Mr. Speaker.

Ontario businesses are feeling it.

Ontarians are understandably anxious and concerned for their future.

In spite of this, Ontarians are equipped, prepared and determined to get through this, together.

Mr. Speaker, today I will update you on the McGuinty government's plan to help get Ontario through these uncertain times.

In addition, I will detail the steps, some of which we have already taken, that will help manage the Province's finances through the remainder of the fiscal year.

Mr. Speaker, the principles that have guided our economic policies remain the right ones to help us navigate through the current economic storm.

ECONOMIC OUTLOOK AND FISCAL UPDATE

Since my last Budget in March, economists have been forced, by unprecedented economic volatility, to dramatically alter their growth projections for the United States, Canada, Ontario and the world.

Throughout our mandate, the McGuinty government's economic policies have been guided by three principles.

prudent and cautious response

First, through our five-point economic plan, we are building confidence in Ontario's economy. We helped companies like Toyota have the confidence to make major investments here. And we helped parents be confident in the knowledge that their children are receiving the best education possible.

Second, we have been prudent and cautious, but have moved quickly to respond to changing economic circumstances.

Third, we have always taken a balanced, comprehensive approach to expenditure and tax policy. We have worked hard to protect the services Ontarians value while enhancing Ontario's global competitiveness.

These principles will continue to inform our decisions as we respond to today's difficulties.

balanced judgment

Above all else, Mr. Speaker, we will be guided by sound judgment, informed by the best possible advice.

Mr. Speaker, it is not "business as usual" in Ontario.

It cannot be, given the speed and scale of global economic events.

Based on the best available advice, we project economic growth of 0.1 per cent for 2008 compared to the 1.1 per cent forecast in the 2008 Budget.

The average private-sector forecast is 0.7 per cent for 2009.

Based on these figures, we expect Ontario's revenues to decline this year.

So we must make a number of changes as we adjust to these new and unforeseen challenges.

As a result, our government is projecting a deficit of $500 million for the fiscal year 2008–09.

Mr. Speaker, underneath all these statistics and uncertainty, there are real people with real fears, real concerns and real needs.

protect public services

In these uncertain times, Ontario families count more than ever on the vital services that government provides.

So we will need the help of our transfer partners to ensure that we are able to protect the quality of our public services as we manage our finances in a prudent and responsible fashion.

We will delay the implementation of and slow down some new spending, while at the same time restraining internal government expenditures. Together, these restraint measures will result in more than $100 million in savings in the five months remaining in the 2008–09 fiscal year.

We will continue to implement our agenda, but we will do so in a responsible and prudent manner, given the challenges of our times.

We will continue to hire more nurses — but not as quickly as we would have wanted.

We will move forward with repairing schools and establishing more Family Health Teams — but we will do so more slowly than we anticipated.

But, Mr. Speaker, make no mistake, we will continue to move Ontario forward.

It's been said that it is best to fix the roof while the sun is shining.

Mr. Speaker, we have done that, and more.

move Ontario forward

Over the past five years, we have placed Ontario's economy on a new, stronger foundation.

And as a result, Ontario is in far better shape than it would otherwise have been.

Our vital public services are stronger.

Our economy continues to show strength in key areas.

During the past five years, the Ontario economy has grown.

Ontario has created over half a million net new jobs.

Unemployment is lower than it was in 2003.

The labour force has grown and real income is up.

And we have made these gains in the face of a strong dollar, the high cost of oil and a slowing U.S. economy.

At the same time, like many other places in the world, we have experienced job losses in manufacturing and forestry over several years.

five-point plan

It's been estimated that about 200,000 manufacturing and forestry jobs have been lost since 2002.

These challenges, past and present, impact directly on Ontario families and businesses.

That is why we developed our five-point plan to grow the economy.

THE PLAN

Mr. Speaker, five years ago we knew that to compete against the rest of the world and win, we needed a sound economic plan.

The five-point economic plan invests in skills, infrastructure and innovation, while lowering business costs and building partnerships.

That plan continues to work for Ontario families.

Our Reaching Higher Plan for postsecondary education and investments in skills training means that 100,000 more Ontarians are being trained in colleges and universities — and 50,000 more are learning a trade.

Our $2 billion Skills to Jobs Action plan includes our Second Career Strategy, which helps to retrain laid-off workers for jobs in the new economy. The Second Career Strategy will be enhanced this fall and my colleague, the Minister of Training, Colleges and Universities, will share the details shortly.

Three years ago we launched ReNew Ontario, a five-year, $30 billion infrastructure investment that is building new roads, schools, hospitals, bridges and transit across Ontario.

Today, over 100 major construction projects have been initiated and our infrastructure investments are creating more than 100,000 jobs.

encourage Ontario growth

We've also supported innovation, and proposed a tax incentive to commercialize Canadian ideas so that home-grown ideas turn into hometown jobs.

Our government is very well aware of the impact that taxes have on Ontario businesses and we know lowering business costs helps them succeed and create more jobs.

That's why, since 2004, we've cut business taxes by more than $1.5 billion.

Fully phased in, our tax cuts will save our businesses nearly $3 billion annually.

And for several years now, we've been partnering with key sectors of the Ontario economy — and other jurisdictions — to encourage economic growth.

fairness for Ontarians

That's why, three years ago, we implemented our Advanced Manufacturing Investment Strategy.

So far, 18 projects have generated $880 million in investment and created 4,000 jobs.

Mr. Speaker, this is progress.

But there's more to do.

We're going to keep working hard so that Ontario workers and their families have what they need to find opportunity.

For Ontario, finding that opportunity means looking for new trading partners beyond the United States.

That's why, during the past five years, we have opened up seven new international trade offices and have a minister dedicated to enhancing international trade and bringing new investment to Ontario.

Mr. Speaker, not only have we moved aggressively to exploit opportunities outside of Canada, we've moved aggressively to obtain fairness for Ontarians in Canada.

If we were treated fairly by Ottawa, we could keep more of our taxpayer dollars in Ontario.

We could move faster and further with our five-point plan to strengthen the economy.

In particular, we could better support Ontarians who are losing their jobs.

We could build more infrastructure to create jobs.

And we could provide more help to businesses that provide jobs.

As proud Canadians, more than anything else, Ontarians want to build a stronger Ontario for a stronger Canada.

Giving us fairness will give us the tools to get that job done.

building confidence

Mr. Speaker, we must continue to build business and consumer confidence, regardless of the turbulence in today's economy.

Building confidence means that we have to take a comprehensive view of the levers available to us.

A single-minded agenda that calls exclusively for tax cuts and deregulation has not worked.

We also reject the notion of spending our way out of tough times.

Building confidence means moving forward with a plan, but at the same time being prepared to make difficult decisions.

Building confidence means working with our partners to help them respond to today's pressing needs.

Building confidence means taking a balanced approach. It means responding to real problems in an open-minded fashion.

Above all, building confidence means doing our part — making difficult and responsible decisions — to help our families succeed.

Mr. Speaker, Ontario possesses enduring strengths, a shared commitment to look after one another, and a sound plan to grow stronger.

CONCLUSION

right plan for the times

Today's economic reality is forcing governments around the world to re-examine their expenditures, adjust their assumptions and respond to an environment where the only constant is uncertainty.

Mr. Speaker, the McGuinty government's five-point economic plan has been and continues to be the right plan for the times.

The investments we have made over the past five years will help Ontario weather today's economic storm and better prepare us for the new economy of the 21st century.

Today we are called upon to rise to the unprecedented challenges in the global economy. These challenges are real, present and being felt by Ontario families and businesses.

Moving forward, the McGuinty government will continue its prudent and responsible approach to the management of Ontario's finances.

This year's projected deficit will allow us to maintain our important investments in Ontario's economic future as we work through the real challenges that confront the world today.

improve competitiveness

Having eliminated the previous government's $5.5 billion deficit and delivering three consecutive surplus budgets, we don't take this decision lightly.

We recognize the importance of a strong balance sheet in the formation of future prosperity.

In taking this approach, we acknowledge the importance of infrastructure investments, which create jobs and improve competitiveness for tomorrow.

We also appreciate the value of training opportunities for men and women across Ontario who have lost their jobs through no fault of their own.

rise to the challenges

We see very clearly the potential economic growth associated with research and innovation and understand the positive impact of targeted tax cuts.

Having said this, we will bring greater focus to the management of our expenses and we are compelled to delay and slow down some new spending.

As Premier McGuinty has said: "While we can't do everything, we will do everything we can."

Though the confidence of Ontarians has been shaken by recent world events, we can be certain that we will all get through this together.

We will rise to the challenges before us.

We'll find new ways to grow.

And we will grow stronger, together.

Thank you, Mr. Speaker.